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Money, Prices, Credit, and Banking

Indian Finance Currency and Banking. By S. V. DORAISWAMI.
(Mylapore, Madras, India: S. V. Doraiswami. 1914. Pp.
iv, 175, lxxxii. Price Rs. 2/8.)

This descriptive and critical discussion of the currency system of India is written by a native who undertakes to interpret the attitude of intelligent natives toward the complicated question of England's currency policy in India. The book also treats briefly certain related topics such as banking, proposals for a state bank, railway policy, and the public debt. Much of the material consists of articles that have previously appeared in various journals, and this fact probably explains the large amount of repetition. There is also considerable material that is relatively extraneous, as, for example, chapters on *The Principles of Money* and *The Monetary Systems of Advanced Countries*. Appendices which constitute about a third of the book relate chiefly to the recent report of the Royal Commission on Indian Finance Currency. The author is a believer in a strict gold standard with a gold currency for India, and has nothing but harsh language for the dilatory tactics of the British Treasury toward the carrying out of the recommendations of the Barbour Commission for the coinage of gold in India. The Indian gold-exchange standard is condemned in language both strong and picturesque. For example (p. 47), the author says: "During the past twenty-two years the Indian currency system has been the bleeding victim of the vivisectionary experiments of successive finance ministers and secretaries of state." In his opinion, the present system of "a managed currency" is not automatic in its operation, leads to an excessive coinage of rupees, imposes heavy financial burdens upon India, and is responsible for an increasing lack of confidence in the rupee on the part of the Indian people and a resulting growth in the practice of hoarding gold.

The great obstacle to the opening of the Indian mints to the coinage of gold and to the substitution of a gold standard with gold coin in circulation for the present gold-exchange standard, the author finds in the profits which London capitalists, many of whom are connected directly or indirectly with the Indian Office (pp. 34-36), realize from the present system—profits resulting from the large investments in sterling securities now made with the moneys of the gold standard reserve and the note reserve, profits from the deposit of Indian funds in London banks

either without interest or at absurdly low rates of interest, profits from the heavy purchases of silver for the coinage of Indian rupees, and profits from brokerage fees. The recent report of the Chamberlain Indian Currency Commission, the author believes, voices the sentiments of these London capitalists who are making large profits at the expense of India, and he characterizes the commission's report as on the whole "a whitewashing report" (p. 89) in which "the Commissioners have whitewashed the authorities with a big brush" (p. 171).

Mr. Doraiswami's book can hardly be called scientific. It is a strongly one-sided view of a clearly two-sided question, and the materials and authorities are selected to make a case. None the less, some of the criticisms contain substantial elements of truth. The financial patronage of the Secretary of State for India is tremendous, and it is unfortunate that so many members of the Indian Office Finance Committee have been connected with banking houses that have profited by the India Office's administration of the enormous funds under its control. No dishonesty has been proven, but the author rightly contends that "Caesar's wife should be above suspicion."

The ultimate solution of India's currency problems may be a gold standard with a large amount of gold in circulation, the system advocated by the author and by many other earnest students of Indian currency; but the attainment of that object under ordinary circumstances would of necessity have been very slow; under the extraordinary circumstances that have developed as the result of the European war, since the book was written, the day of its attainment would seem to be long postponed.

Meanwhile it should be remembered that India has never given the gold-exchange standard a fair trial. The Indian system as it has so far developed with its confusion of fiscal and monetary objects in the government's sale of exchange, with its mixing of the functions of its gold standard reserve and its paper money reserve, its variable and uncertain rates for the sale of Council bills and other government drafts, and its excessively large investment of reserve funds in interest-bearing securities under the pressure of fiscal needs, this system is far removed from the pure gold-exchange standard as advocated for India by A. M. Lindsay before the Barbour Commission, and as put into operation over a decade ago in the Philippine Islands. The pure

gold-exchange standard is almost as automatic in its functioning as is the gold standard with gold coinage; it is much less expensive, and, if properly managed, should be equally strong. On the other hand few of the valid criticisms urged by the author against the Indian system would be applicable.

There are numerous citations of authority in the book but almost no specific page references. There is no index and the proof-reading has been badly done. The book, however, contains suggestive material, and, above all, represents a point of view which no student of Indian currency problems can ignore.

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NEW BOOKS

BOWLEY, A. L. *Prices and earnings in time of war.* (New York: Oxford Univ. Press. 1915. Pp. 23. 5c.)

CLARK, W. E. *The cost of living.* (Chicago: McClurg. 1915. Pp. 168. 50c.)

To be reviewed.

FULTON, J. A. *Uncle Sam, banker. 1910-1940.* (McKeesport, Pa.: Hutchinson & Broadbent. 1915. Pp. 283. \$2.)

GERBER, G. H. *The high cost of living.* (New York: New York Bk. Co. 1915. Pp. 150. 60c.)

GHOSH, H. H. *Theory of coöperative credit. Including a brief sketch of the credit system.* Second edition. (Calcutta: S. C. Auddy & Co.; London: Kegan Paul. 1915. Pp. xii, 212, xlv. 4s.)

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HARDWICKS, W. H. *The British currency decimalised and imperialised.* (London: Watts. 1915. 6d.)

HEPBURN, A. B. *A history of currency in the United States.* (New York: Macmillan. 1915. Pp. xv, 552. \$2.50.)

In the main a republication of *History of Coinage and Currency in the United States*, published in 1903. Additional chapters on the Federal Reserve act and the currency systems of other nations bring the volume down to date.

HERRICK, C. *Trust companies; their organization, growth, and management.* Second edition, revised and enlarged. (New York: Bankers Pub. Co. 1915. Pp. viii, 502. \$4.)

HOWE, R. H. *The evolution of banking; a study of the development of the credit system.* (Chicago: Kerr. 1915. Pp. 192. 50c.)